

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **202028002**  
Release Date: 7/10/2020

**Date:** April 14, 2020

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

B = Scholarship  
C = Name  
d dollars = Amount

UIL: 4945.04-04

Dear Applicant:

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code Section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called B. Your purpose is to empower students in pursuing a higher education. You believe that one of the most worthy and impactful investments you can make is in a young person's education. It's your intent to identify and reward a select group of rising college students who shall be distinguished as C Scholars.

The purpose of B is to help high school seniors and college students defray the costs of post-secondary education. To expand the reach of scholarship candidates, post-

secondary education includes two-year community college, trade/vocational school, or four-year college university located in the United States.

Your program is publicized through: (1) your website; (2) social media accounts; (3) email newsletters sent to participating schools and organizations, (4) radio broadcasts on local stations; and (5) flyers that participating schools can download and post.

In order to apply for B, the candidate must:

- Be in their current year high school graduating class or incoming college freshman
- Plan to enroll or demonstrate proof of enrollment at either a (1) two-year community college, trade or vocational school, or a (2) four-year college or university in the United States
- Prioritize academic excellence, maintaining at minimum a grade point average of 3.0 or better on a 4.0 scale
- Demonstrate active participation in community service
- Be motivated leaders with a strong work ethic and be involved in extra-curricular activities, and
- Provide two letters of reference, including one from a volunteer community service experience.

Recipients are selected based on a holistic assessment of their community service, academic excellence, and obstacles faced and overcome. Special consideration will be given to students with evidence of financial need.

Your Board of Directors will determine the number of grants made annually. The goal is to provide at least one dollar scholarship per year.

In order to qualify for a renewal of a grant, a scholarship recipient must provide:

- Evidence of active enrollment in an institution of higher education
- A certified transcript maintaining at minimum a grade point average of 3.0 or better on a 4.0 scale.
- A one-page personal statement explaining how the most recent academic year has impacted their goals. The personal statement must include the recipient's (1) name; (2) high school and year of graduation; (3) university, college, trade or vocational school; and (4) the year the student became a C Scholar.

Your Scholarship Committee will supervise the scholarship program. Your Scholarship Committee consists of family members who may be replaced on an annual basis, or as needed, based on their availability. Should a committee member require replacement, you would search for another individual who shares values to improve a student's higher education accessibility.

To determine financial need, applicants will submit to you a selected portion of their student aid reports or the expected family contribution page of FAFSA. To ensure the

intended use for the scholarship award, students must provide evidence of acceptance or admittance to an institution of higher education.

To reduce scholarship fraud, scholarship awards will be sent directly to the student's higher education's financial aid office after proof of enrollment is provided to you. Unused awards will be returned to you.

The Scholarship Committee will select the scholarship winner subject to the approval of your Board of Directors. No member of your Scholarship Committee, nor their immediate family, shall be eligible for scholarship assistance during his or her tenure on the Scholarship Committee. Further, no member of your Board of Directors, nor his or her immediate family, shall be eligible for scholarship assistance during his or her tenure on your Board of Directors.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.

- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements